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SUBJECT: DPM SOFAN SEEKS U.S. POLITICAL COMMITMENT FOR
YEMEN'S WTO ACCESSION

11. (SBU) Summary. Deputy PM and Minister of Planning and International Cooperation Ahmed Sofan reviewed development cooperation and sought strong political support for Yemen's WTO accession bid from visiting Deputy Assistant Secretary Philo Dibble on December 15. Sofan complained of a lack of Saudi-Yemeni economic cooperation, affirmed the importance of economic reform, and said that WTO accession was the key to expanding direct foreign investment in Yemen. End summary.

Sofan: Security Costs Money, Economy Down

12. (SBU) After praising U.S.- Yemen development cooperation, Sofan raised what is becoming a persistent theme among senior ROYG officials -- enhancing security to fight the GWOT costs money and development funding suffers. Sofan blamed high inflation in Yemen and large budget deficits on the necessity to fund two Ministries, Interior and Defense, in order to meet Yemen's security requirements. (Note: Yemen's inflation problems are not merely a result of military spending, Yemen is very susceptible to international price fluctuations because 76 percent of its food is imported. For instance, last year bread prices doubled due to high international demand for wheat.)

13. (SBU) "Yemen needs U.S. advice and cooperation," said Sofan, "but the challenges are great." Highlighting Yemen's development needs, Sofan claimed that Yemen receives only 30 USD per capita in development assistance, whereas Egypt receives 1,200 USD and Zambia 120 USD. Warning that Yemen's budget deficit is growing, and this year will surpass last year's deficit of just around 3 percent of GDP, Sofan claimed that high oil prices are not enough to cover Yemen's costs. (Note: Most experts predict a steady decline in oil production and revenue in the next five years. End Note.) Sofan told DAS that the only way to address high poverty and a 31 percent unemployment rate is to move ahead with economic reform and reduce subsidies.

Riding on the Thobe-tails of Saudi Arabia

14. (SBU) Sofan explained recent Yemen forays to expand Yemen - Saudi economic cooperation, sharing that the ROYG had presented a paper to the Saudis outlining suggested investment packages, alternative work sectors for Yemeni laborers, and turning Yemen into an open market for Saudi investment. Sofan said he traveled to Riyadh seeking economic assistance and argued that regional stability will be greatly enhanced by a prosperous Yemen. Expressing concern for the many Yemeni workers who are losing jobs due to Saudiazation, Sofan said he proposed Yemen and KSA work together to find alternative jobs for Yemeni guest workers. KSA promised to "study" the proposal, but Sofan said that since the offer was made five months ago, the ROYG has heard nothing.

Sofan on WTO Accession: "Run Don't Walk"

15. (SBU) Sofan petitioned for the USG to give Yemen the same attention and commitments on WTO accession as Iraq, and for Yemen to be included in a "fast-track initiative" on accession. Sofan suggested that if the U.S. wants the Middle East to prosper, economic support must extend beyond Iraq and asked for a "political commitment" from the United States to speed Yemen's accession through the WTO. (Note: Post is unaware of an Iraq "fast track" initiative on WTO accession. End Note.)

16. (SBU) Sofan pointed to WTO accession as a way to attract foreign direct investment. Admitting that the government has not explained its WTO accession plan well internally, Sofan said the ROYG will hold workshops to help Parliamentarians understand the meaning and benefits of accession. Sofan added that Yemen's private sector is not as advanced as other countries' and therefore not pushing for accession. Sofan said that he has urged the Minister of Industry and Trade to "run not walk to accession." In addition to political

support, Sofan asked for technical assistance, as was offered on the margins of the November 18 Trade Investment Framework Agreements (TIFA) Talks at USTR in Washington.

Sofan Raising Expectations

17. (SBU) Comment: Following TIFA talks last month, Sofan seems heavily engaged in Yemen's WTO accession and is pushing the rest of the ROYG to follow suit. His appeal for USG political support at Geneva, suggests that Sofan sees WTO accession as a political, rather than a practical and technical challenge. However, Yemen still has much to do on the technical side. It must redraft laws, gain Parliamentary approval and prepare its offers on key WTO areas such as telecommunications, insurance and banking services. Sofan sees WTO accession as a step to a coveted Free Trade Agreement. End comment.

18. (U) DAS Dibble cleared on this cable.
KRAJESKI